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TAGS: [PGOV](#) [MASS](#) [EINV](#) [ICTY](#) [SR](#)
SUBJECT: ENGAGING WITH SERBIA'S "NEW" GOVERNMENT

Classified by Ambassador Michael Polt, reasons 1.4 (b,d)

¶1. (c) The new government in Serbia does not look appreciably different from the previous one, save Tadic's DS party's participation. Tadic's party now plays a large role and holds competencies in defense and foreign affairs that could have an impact on moving forward the Euro-Atlantic agenda, but Kostunica still holds the reins. DSS still has the ultimate trump card (bringing down the government) to play when they feel their vital interests are at stake, and signaled the reckless willingness to use it when they elected the Radicals into a position of national power-however briefly. Given Kostunica's ability to routinely outplay Tadic on political tactics and the vested interests of all parties in keeping this coalition in power as long as possible, we should be most modest in our expectations of change in the policy areas on which we engage with Serbia. That said, we plan to move forward with our planned K+1 agenda. Listed below are some of our key policy concerns for the next year. We have predicted the government's likely course, and our recommendations for engagement.

ICTY

¶2. (c) Likely Policy: Tadic has consistently assured us and the Europeans that he will make full ICTY cooperation his top priority. His party now controls Defense, and he personally now heads the National Security Council, which is supposed to coordinate all security and intelligence activities in the country. This constellation of competencies will probably be enough for the EU to cite as a positive step forward on ICTY cooperation and restart SAA talks. However, there is still no agreement on who will head the Security Intelligence Agency (BIA), and in fact early rumors are that Rade Bulatovic may stay in the job. At the same time, Kostunica remains in the PM slot, and is unlikely to forego his commitment to a policy of voluntary surrenders. Thus we have no cause to expect any tangible change from this government on ICTY policy. They will continue to profess to be making every reasonable effort, but are unlikely to make the all-hands effort essential to bringing in Mladic or other PIFWCs. We expect Tadic will tell the international community in private he is doing everything he can, but can't risk bringing down the government over this issue at a delicate time.

¶3. (c) Our Approach: We must continue to demand ICTY cooperation, but regrettably, taking a hard line on ICTY commitments early on will not be shared by the Europeans and will thus be counterproductive, as it would isolate us and cut the legs out from the new DS-majority government before it has a chance to stand up. In an atmosphere where the EU is likely to re-start SAA talks as a result of government formation, we will need to strike a balance that supports DS and Tadic without letting them off the hook for previous commitments. Here in Belgrade, we will issue initial public statements congratulating the new government while expressing our expectation that the new government will accomplish more on the ICTY portfolio than its predecessor did. Privately, we will remind Tadic, the new DS FONMIN, and the new DS DEFMIN of their commitments to make Mladic their top priority and urge them to show some concrete results - perhaps rounding up another of the six outstanding PIFWCs to start.

¶4. (c) Since the Secretary's certification decision is due by the end of May, we would recommend a negative decision based on the poor

performance of the previous government, with a public commitment to re-examine the decision in as little as 30-60 days or as soon as the new government has had an opportunity to create traction on the issue. This will be somewhat awkward, especially if it comes on the heels of an EU decision to restart SAA talks. Also, Tadic will complain about us undercutting him. We would remind him of his commitments, highlight our intention to reconsider once visible action is taken, and note that the current EU position remains the same as ours - they have not indicated a willingness to conclude the SAA without tangible proof of cooperation with ICTY.

KOSOVO

15. (c) Likely Policy: This government's policy on Kosovo will not change in any measurable way. Their public redlines were set long ago - they will refuse to recognize an independent Kosovo, they will reject any other government's recognition of an independent Kosovo, and they will consider further reactions to governments and institutions that recognize an independent Kosovo. These positions were agreed among all major political parties long before elections, and were the centerpiece for the new constitution. With DS (and Tadic, obliquely) in a more prominent role, we will look to the new government to be more accommodating to Tadic's earlier commitments of realistic management of the post-status environment. The impact of the new Ministry for Kosovo and Metohija remains to be seen - our initial assessment is that it would essentially assume the functions of a beefed up coordinating center, coordinating the administration of assistance (publicly) and controlling - or at least heavily influencing - the activities of hardline Kosovo Serbs and Orthodox Church leadership (privately).

16. (c) Our Approach: As before, the key to working with this government will be in engaging with them to ensure their management of the post-status environment does not, either through action or

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inaction, lead to instability in the region. We will engage regularly with Tadic and relevant ministries to remind them of their commitments to and obligation for taking an activist position on maintaining stability. We will also continue with our standing "K+1" strategy to refocus the attention of the Serbian people on moving Serbia forward through people-to-people ties and economic development. We should expect, though, that the status decision will have short-term impacts on our bilateral relations with this new government, including at least postponing of some of our training and assistance programs, less support for our positions in international fora for a short period of time, and perhaps the recall of Serbia's Ambassador to Washington for consultations. We had been apprised of this likely approach by the outgoing government. They argued that the key to keeping the time interval of this "necessary" reaction short will be neither side over-reacting to it. We agree, and will continue to move forward with our engagement programs to the maximum extent possible and keep the doors open for renewed full engagement as soon as Belgrade is ready.

SECURITY

17. (c) Likely Policy: Kostunica has hinted strongly that he might use the Kosovo process as a tool to put the brakes on Serbia's accelerating Euro-Atlantic integration, specifically with NATO. He was lukewarm at best to the PFP invitation, and made a point of saying that relations with NATO would suffer if Kosovo became independent. He has also kept the government from moving forward on PFP integration, most notably sending back for redraft Serbia's Presentation Document. Tadic, on the other hand, has consistently made NATO integration and eventual alliance membership a key part of his platform. With DS in control of Defense (and by extension, the Chief of the General Staff) and DS holding a majority of cabinet seats, we should expect Euro-Atlantic integration to proceed at much the same pace as in recent years, perhaps after a short hiatus following Kosovo independence. A red line for Belgrade, though, would probably be NATO membership - something Kostunica viscerally opposes and will likely block at all costs, including threatening to bring the government down over the issue, if it came to that.

18. (c) Our Approach: We will continue pushing forward with our

integration and reform agenda. Within the limits of certification, we will continue to be as aggressive as possible in identifying and using training and education opportunities, ramping up exchanges through the State Partnership Program, and engaging with a (hopefully) pro-NATO Defense Ministry and CHOD to push through remaining agreements like the Article 98. In non-defense fora, like ICITAP, OPDAT, and EXBS, we will continue to provide an ambitious schedule of training and education programs. We will also use these tools to help Serbia engage in more regional activities, for example through the Proliferation Security Initiative. The basic approach will be to keep all offers on the table and support pro-reform elements in the government, using the momentum of completed and current programs to push greater participation in future programs.

ECONOMY AND DEVELOPMENT

¶9. (c) Likely Policy: Luckily, all the parties in the new government share a vision of a European future - though more conservative groups like DSS prefer moving into Europe on Serbian terms, not European terms. With G-17 Plus and DS in control of most of the key economic ministries, we expect a continuation of pro-reform, pro-European economic policies, perhaps including a new IMF agreement. In a few key sectors, like energy and privatization, politicization will remain a problem, including behind the scenes manipulation when the asset in question is attractive to the local tycoons. Energy will continue to be a special case, with DSS attempting to manage the gas sector to placate Russia's desire to establish long-term control over the sector.

¶10. (c) Our Approach: Our primary concerns will be protecting existing U.S. investors, and pushing the GOS to tackle the big privatizations that will substantially roll back government control of the economy. We also will encourage the GOS to consider a new deal with the IMF as a way of cementing government support for a reform agenda. The track record of Kostunica's caretaker government in the lost time between elections and the formation of the coalition was appalling. In an atmosphere of total lack of oversight, corruption has run rampant. We will make very clear to the next government our expectation that they will put a lid on such practice and work to make Serbia an attractive investment destination. On the ground, we plan to continue with our K+1 programs to promote employment growth through private sector development, especially in agriculture. We will also renew our push to secure Serbian acceptance of a Peace Corps program.

BOTTOM LINE ON OUR AGENDA WITH THE NEW GOVERNMENT

¶11. (c) With the predicted eleventh hour government formation drama nearly behind us, we will fully reengage the new coalition with a positive agenda. Our judgment on its willingness to meet our actions with similar vigor we reserve until we see the proverbial Kajmak on the table.

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